Weekly Economic Review

Energy prices keep inflation low

Consumer Price Index

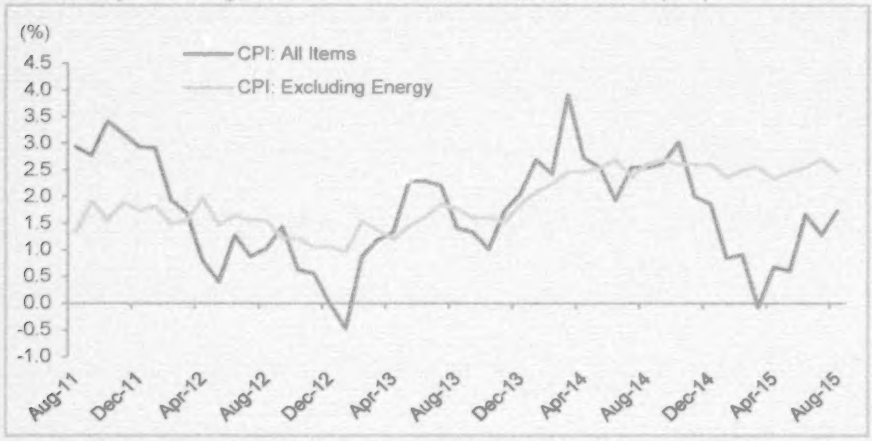
Gasoline prices pull down inflation

The Alberta Consumer Price Index rose 1.7% in August. Inflation continued to be weighed down by energy prices. Gasoline prices were down 7.1% year-over-year (y/y), although they have increased 43% since January. Natural gas (-8.4% y/y) and electricity (-5.5% y/y) prices also kept overall inflation low. Excluding energy, inflation was 2.4% y/y (Chart 2). Price increases for home and mortgage insurance have been in double digits since January 2014, pushing inflation in Alberta above the national average. Also contributing were food prices, which have increased 3.7% on average this year, and household furnishings and equipment prices, which averaged 5.0% y/y over the past 3 months.

Canadian inflation was 1.3%, also pulled down by energy, specifically gasoline prices. Core inflation, which excludes the eight most volatile CPI components, was 2.1%; core CPI is used by the Bank of Canada to measure underlying inflation.

Chart 1: Energy prices weigh on inflation

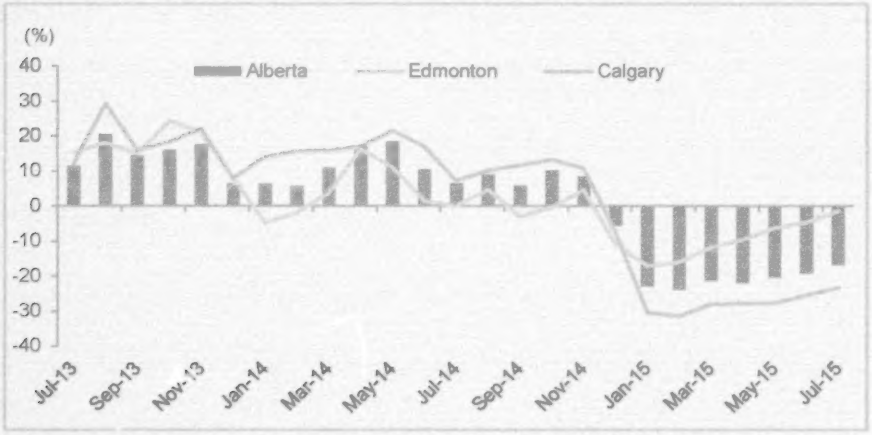
Year-over-year change in the Alberta Consumer Price Index (CPI)



Source: Statistics Canada

Chart 2: Existing home sales in Calgary were down substantially

Year-over-year change in Alberta existing home sales



Source: Canadian Real Estate Association

Existing Home Sales

Sales drift lower

Alberta's resale housing market softened in August as sales fell by 2.9%, and were down 22.9% y/y. Although both Edmonton and Calgary's sales fell, the decline in Calgary was more pronounced (Chart 2). New listings increased by 3.0%, causing the sales-to-new listings ratio to fall for the third-straight month, an indication of weaker demand. Average resale prices fell by 2.3% y/y, influenced by weakness in Calgary, Fort Mcmurray and Lloydminster. Year-to-date, average prices in Alberta were down 1.4%.

Canada's resale housing market continued in positive territory, with both sales and new listings increasing slightly. Canadian average resale prices were up 8.7% y/y, buoyed by strength in Ontario and British Columbia.

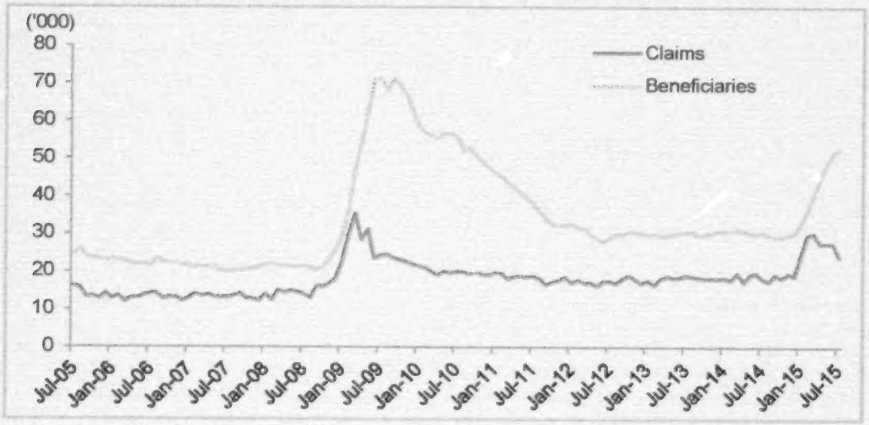
Manufacturing Sales

Shipments slow

Alberta manufacturing shipments declined 1.6% in July to $5.9 billion following two months of increases. On a year-over-year basis, manufacturing declined 15%, with only food manufacturing showing a noticeable gain aided by meat processing. The decline was broad-based, with lower shipments of petroleum and coal (-33%), machinery (-19%), chemicals (-8.4%), and metals and minerals (-17%). So far in 2015, nearly all manufactured goods have posted year-to-date declines, with overall manufacturing shipments falling 11%. Much of this decline can be attributed to lower prices for petroleum, chemicals and plastics.

Chart 3: Employment Insurance (EI) beneficiaries remain elevated

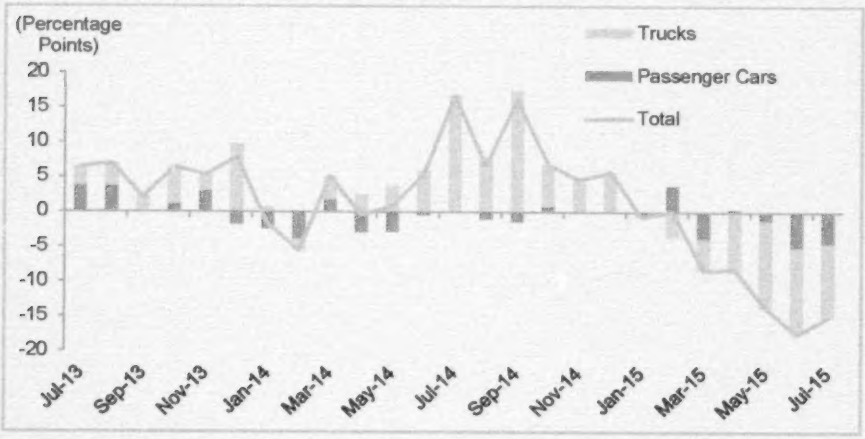
Alberta EI claims and beneficiaries



Source: Statistics Canada

Chart 4: Broad-based decline in new motor vehicle sales

Contribution to year-over-year change in Alberta new motor vehicle sales



Source: Statistics Canada

Employment Insurance

Claims remain elevated

The number of EI claims in Alberta fell by 12% to 24,140 in July, the fourth-straight monthly decline (Chart 3). Claims remain above normal, up 33% from July 2014. So far this year there has been 60,720 more claims than the same period last year. Elevated levels of claims continue to push up the number of beneficiaries. The number of regular EI beneficiaries increased by 950, to 52,660 in July. Year-over-year, the number beneficiaries was up by 22,080 or 72%.

New Motor Vehicle Sales

Sales remain down

There were 22,665 new motor vehicle sales in Alberta during the month of July, just over 4,030 fewer than 12 months prior. Sales have been below 2014 levels throughout 2015 (Chart 4), falling 10% year-to-date. This is due to weakness this year and strong 2014 sales. Both passenger car and truck sales were down from July 2014, with truck sales contributing the most to overall declines. The dollar value of new motor vehicle sales was $915 million, a decline of 15% y/y.

US Federal Reserve

Fed stays put

The US Federal Reserve (the Fed) held its target interest rate at 0% to 0.25%. The Fed cited two factors that have altered their outlook since the last meeting. First, measures of inflation compensation have declined, weighed down by a strong dollar and weak energy prices. Second, the recent volatility in financial markets and signs of sluggish global economic growth present downside risks to the outlook.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.